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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE of INTELLIGENCE

07 FEB 1985

MEMORANDUM FOR: Mr. William Triplett
Deputy Assistant, Office of the US Special Trade
Representative, White House Situation Room

FROM: [redacted]
Director of Global Issues

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SUBJECT: Iraqi Oil Export Pipeline Developments [redacted]

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1. The attached memorandum examines recent developments in the Iraq-Jordan and Iraq-Saudi Arabia export pipelines. While prospects for the Jordanian line appear dreary, completion of the Saudi spurline is likely by early 1986. [redacted]

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2. This memorandum was prepared by [redacted] Strategic Resources Division, Office of Global Issues. [redacted]

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3. Your comments and suggestions on this memorandum are welcome and may be addressed to the Chief, Strategic Facilities Branch, OGI, [redacted]

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Attachment:
Iraqi Oil Export Pipeline Developments [redacted]
GI M 85-10039, February 1985 [redacted]

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SUBJECT: Iraqi Oil Export Pipeline Developments

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OGI/SRD/SFB, (7 February 1985)

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MEMORANDUM

Iraqi Oil Export Pipeline Developments

1. We believe near-term prospects for the Iraq-Jordan pipeline remain dim despite the recent flurry of activity, but if arrangements are made with minimum effort and risk from Baghdad it may go along with the project.

Amman, enthused by the prospects of transit fees and oil supplies, is serving as a catalyst for bringing new life to the project.

2. Baghdad is likely to continue encouraging discussion of the project although the seriousness of its interest remains suspect. These talks, by heightening speculation about construction of the line, provide Baghdad some leverage in its present negotiations with Turkey over the planned Iraq-Turkey pipeline expansion and transit fees. Even if Iraqi security guarantees can be satisfied, we believe Baghdad is unlikely to go ahead with the Aqaba project because it would diminish its ability to obtain Saudi approval for the second stage of the Iraq-Saudi pipeline project. If Riyadh subsequently defers approval of the major upgrade, however, Baghdad probably would re-emphasize the Aqaba line to assure oil export capacity consistent with its perceived security and economic interests.

3. Baghdad's highest priority oil export project is the link to the Saudi East-West Petroline. Progress on the 640-kilometer spurline is well behind the scheduled September 1985 completion date. Construction has been slowed by unexpected technical problems--defective pipe and difficult trenching conditions--as well as contractor manpower limitations imposed by Iraq. Work is underway in both Iraq and Saudi Arabia although not all right-of-way questions in Saudi Arabia have yet been resolved. Additional construction delays are likely and Iraqi oil will probably not flow through the line this year. The spur line's planned capacity of 500,000 b/d probably will not be achieved until mid-1986 when additional pumps will be installed.

GI M 85-10039
February 1985

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4. Completion of the Aqaba line with US encouragement and involvement could benefit US interests in the area and would reduce the vulnerability of Western oil supplies by adding another export route outside the Gulf. Construction of the line would be consistent with Iraqi interests if it did not undercut other export pipeline options, and would enhance Western relations with Iraq and Jordan and strengthen Iraqi-Jordanian economic ties. By the end of the decade, Western reliance on Gulf exports will probably be growing again, increasing the importance of available oil supplies outside the volatile Persian Gulf.

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Capacity of Oil Pipelines Bypassing the Strait
of Hormuz (million b/d)

<u>Pipeline</u>	<u>Current</u>	1987	
		<u>Projected</u>	<u>Potential</u>
Iraq-Turkey	1.0	1.5	1.5
Saudi Petroline	1.85	3.7	3.7
Iraq-Saudi	0	0.5	1.5
Iraq-Jordan	0	0	1.0
Total	2.85	3.35	7.70

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